



March 10, 2023

Statement of the Connecticut Food Association – Finance, Revenue, Bonding Committee

Wayne Pesce, President, Connecticut Food Association

Committee Bill 5290: Act Sunsetting the Highway Use Tax

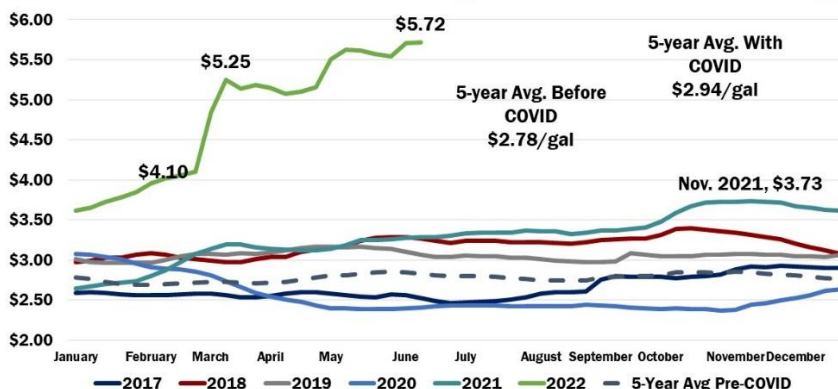
The Connecticut Food Association (CFA) proudly advocates on behalf of the food retail industry. Its mission is to promote the growth of Connecticut's grocery community through economic development, nutrition & wellness, environmental stewardship, and community service. CFA membership covers the spectrum of diverse venues where food is sold, including independent grocery stores, regional supermarket chains, food distributors, food manufacturers, and specialty food purveyors.

On behalf of Connecticut's food retail industry, I urge you to support committee bill 5290

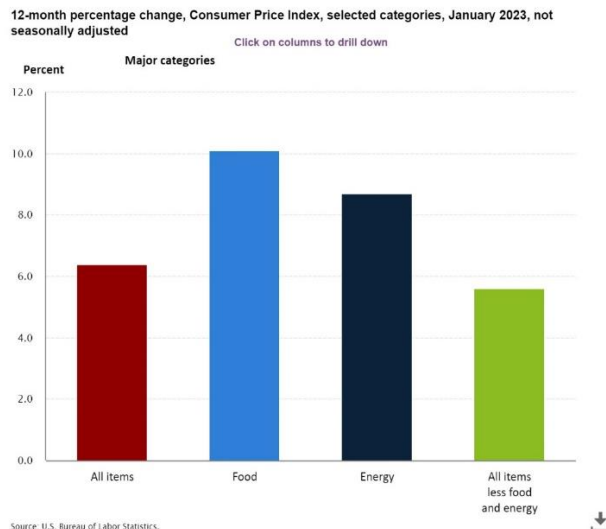
Our Opposition to Connecticut's Highway Use Tax (HUT) has centered around concerns that the tax unfairly burdens the local food distribution industry and increases the cost of groceries for consumers. HUT also places an undue financial burden on local trucking companies that are already struggling with rising fuel costs, maintenance expenses, and other regulatory fees.

The United States was experiencing a period of low inflation before 2020. Then, in early 2020, the coronavirus disease (COVID-19) created various market disruptions causing prices for goods and services to surge. As the labor market tightened during 2021 and 2022, core inflation rose as the ratio of job vacancies to unemployment increased. One of the other main contributors to the headline inflation shocks were energy prices. The current high cost of diesel is being passed on to customers and these surging fuel prices come on top of other pressures on food retailers/food distributors including labor shortages and supply chain disruption.

### Diesel Prices Hit Record Highs and Keep Climbing



Bottom line is: Increased diesel fuel prices are key factor to consumers paying more for food in stores and restaurants: with diesel fuel prices hitting record levels, CFA predicts its retail, wholesale and supplier members will pass on increased transportation costs to food stores and restaurant customers, who will in turn pass on those costs to consumers. Connecticut consumers buying food and drink in grocery stores, and when they are eating out, will be paying more because the cost of distributing those goods to the retail outlet has gone up so much in the last year.



## CONSUMER PRICE INDEX - JANUARY 2023

Food inflation soared 10.0% year-over-year, for the fastest rate since April 1979. Prices for groceries advanced 13.5%, the most since March 1979, and they increased 8% for foods consumed outside of the home.

As you can see from recent economic data food price inflation is already staggering, however we believe the HUT Tax is making it worse, as increased diesel costs are passed along the supply chain and, eventually to consumers who pay the steepest price.

There have also been concerns that the HUT may be unconstitutional, as it could be seen as a violation of the Commerce Clause of the U.S. Constitution, which prohibits states from imposing excessive burdens on interstate commerce. In 2018, a federal court ruled that Rhode Island's HUT was likely unconstitutional. In September of 2022 the American Trucking Associations welcomed a decision by the U.S. District Court ruling Rhode Island's truck-only plan RhodeWorks, unconstitutional.

The food association is commissioning an economic impact study to gauge the effect of the Hut Tax on grocery prices and we look forward to sharing that information with this committee and the larger legislative body in the not-so-distant future.